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Ameritech

June 9, 1999

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Anthony M. Alessi
Director
Federal Relations

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: **Ex Parte** Presentation
CC Docket 96-262

Dear Ms. Salas:

On Tuesday, June 8, 1999, Lynn Starr, Vice President- Regulatory Affairs, Ed Wynn, Vice President - Regulatory Policy, Karl Wardin, Director - Regulatory Services and I met, in separate meetings, with Kevin Martin, Legal Advisor and James Burns and David Dubose, Legal Interns to Commissioner Furchtgott-Roth, Sarah Whitesell, Legal Advisor to Commissioner Tristani, Linda Kinney, Legal Advisor to Commissioner Ness, and Kyle Dixon, Legal Advisor to Commissioner Powell to discuss interstate access reform. The attached material was used as part of our discussion.

Sincerely,

Anthony Alessi

Attachment

cc: K. Martin
S. Whitesell
L. Kinney
K. Dixon
J. Burns
D. Dubose

NO. OF PAGES: 042
List A B C D E

Access Reform

June 8, 1999

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Access Reform Issue Agenda

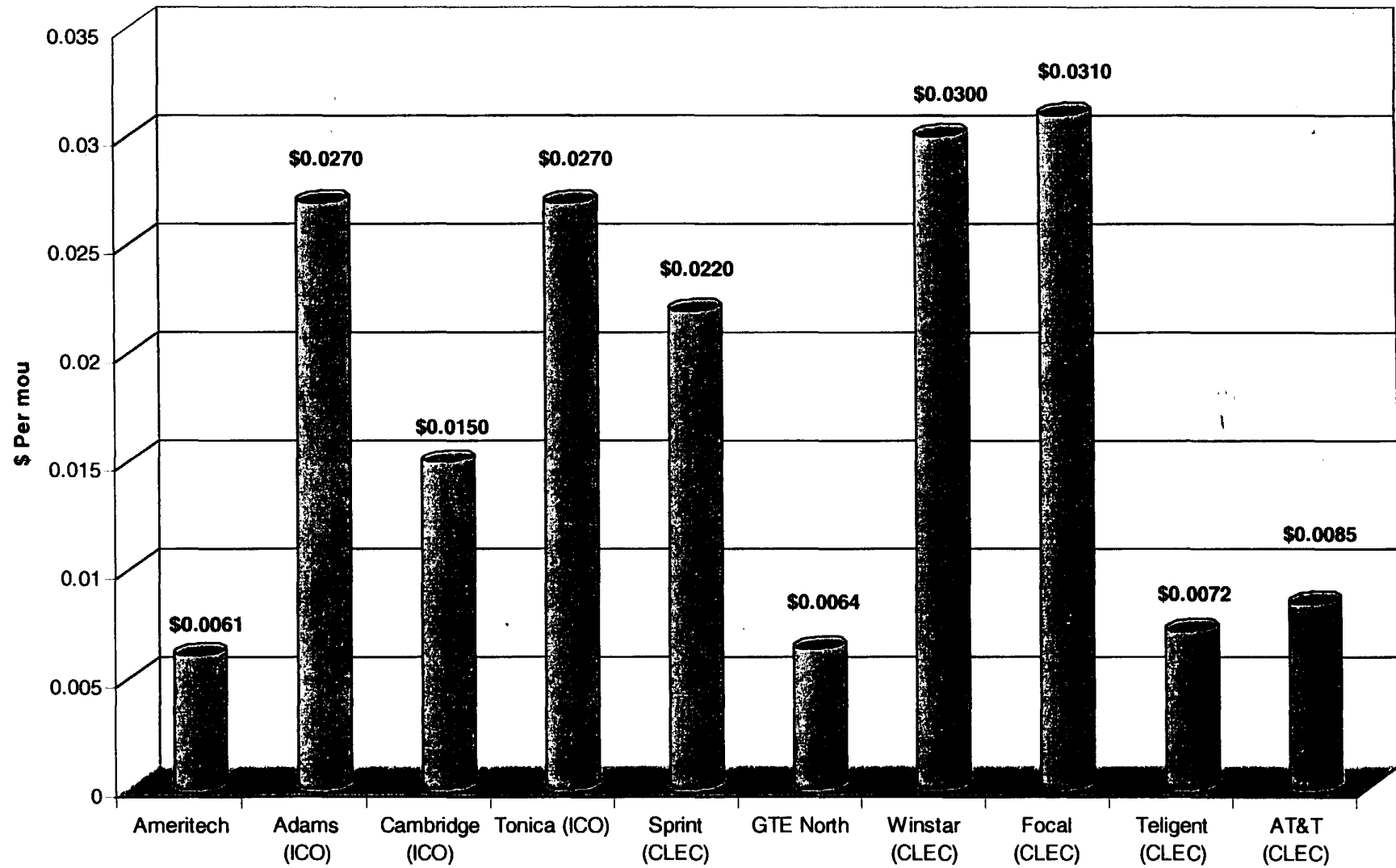
- The current access reform process is working
- Competition is happening and alternatives to ILEC access services continue to emerge
- The FCC should continue the market approach and move forward toward creating more competitive markets by granting requests for pricing flexibility, forbearance, long distance entry, and Section 706 relief

Access Reform Restructuring is Working

- The restructuring of access charges ordered in 1997 is accomplishing its objective of contributing towards an orderly transition to more efficient pricing of access. There is no need to accelerate this transition for companies like Ameritech that have sought to price services at reasonable levels
 - Ameritech's average interstate MOU rate is currently reasonably priced when compared to competitors' access rates
- The competitive marketplace and price regulation, to the extent it is needed, will continue to put downward pressure on access charges
- Upward pressure on access will continue as funding for universal service programs such as rural health care and schools and libraries increase
 - Ameritech's contributions have nearly doubled since 12/31/97 to approximately \$120 million, or \$.002 on a per minute basis
- The marketplace is working, providing competitive alternatives for access services without arbitrarily revisiting the restructure of access

The Ameritech logo, featuring the word "Ameritech" in a serif font, enclosed within an oval border.

Interstate Switched Access Rates (Illinois)

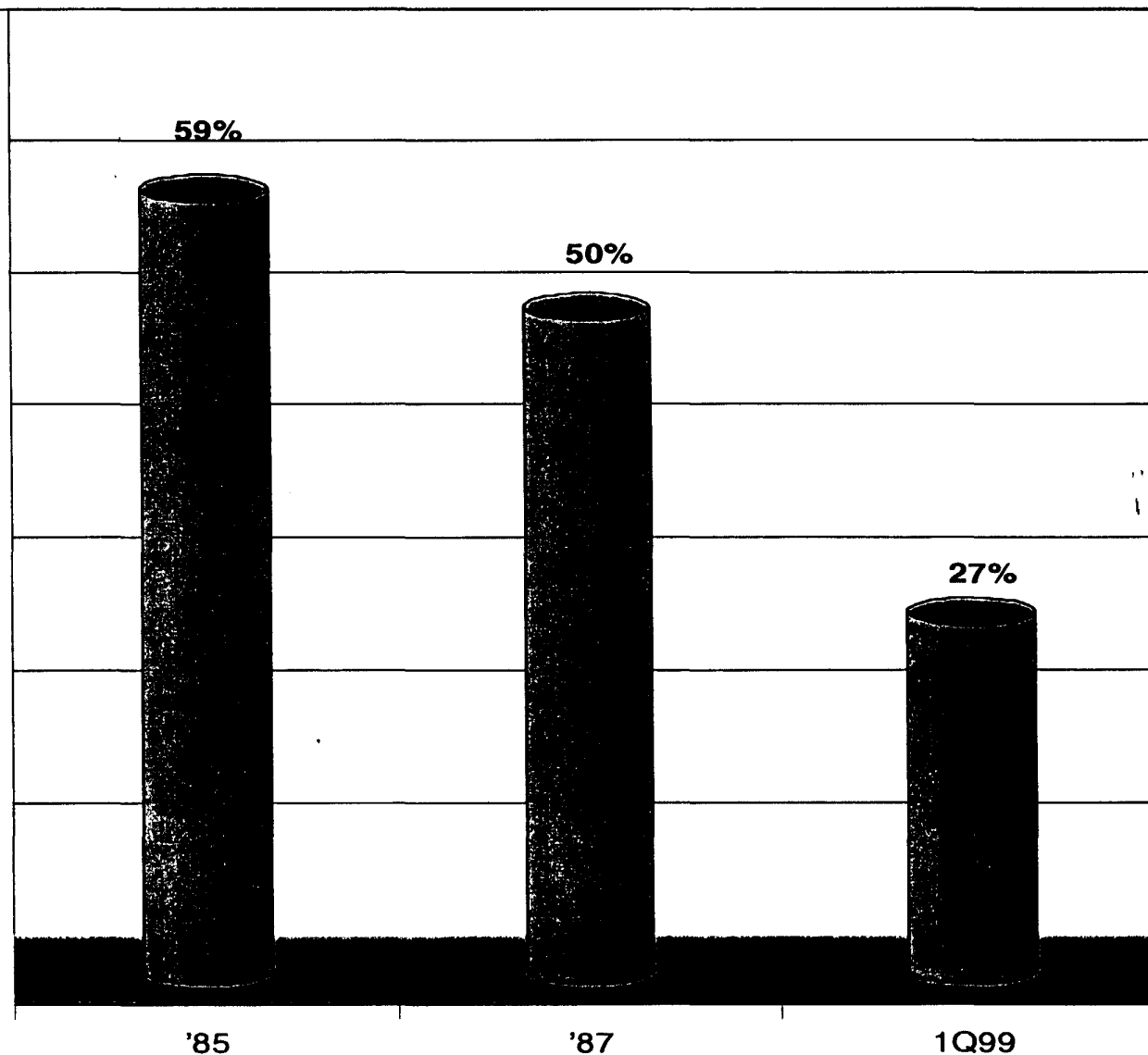


Source: AT&T petition CC Docket 98-63

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Access Charges Have Fallen Sharply As A Percentage Of Long Distance Revenue

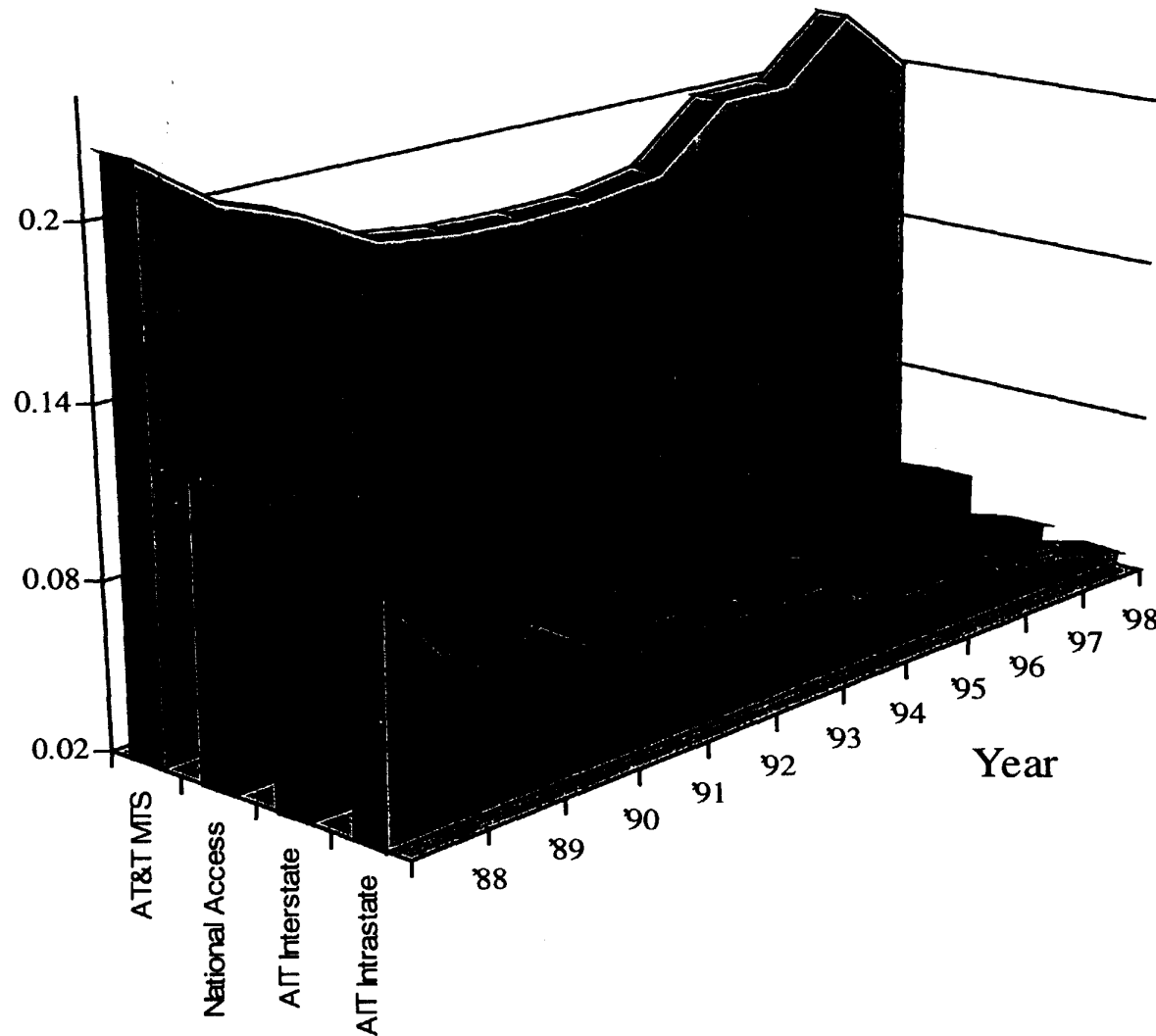
Access
Charges
as a % of
LD
Revenue



Source: AT&T Financials

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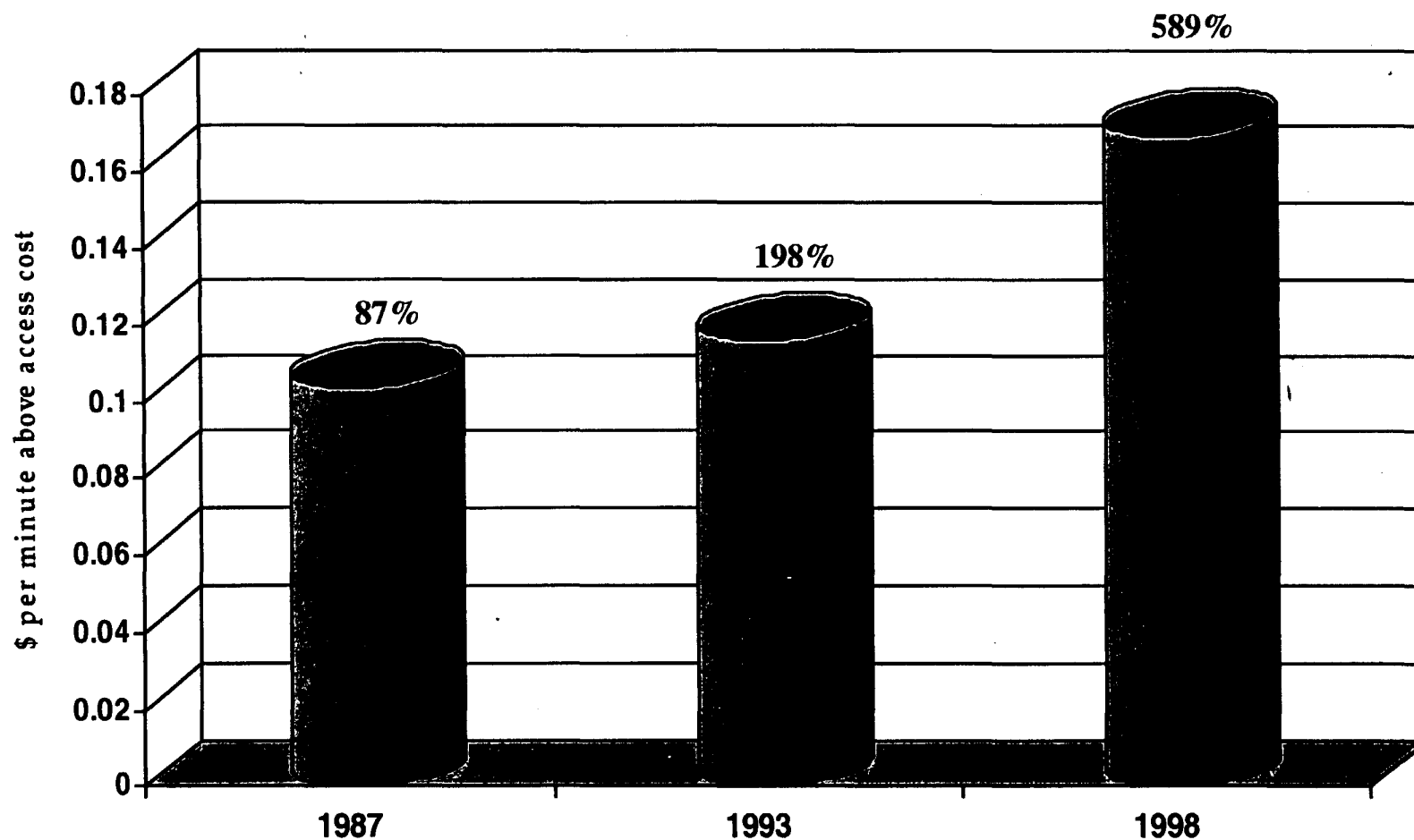
MTS Price vs. Access Charges 1987-1998



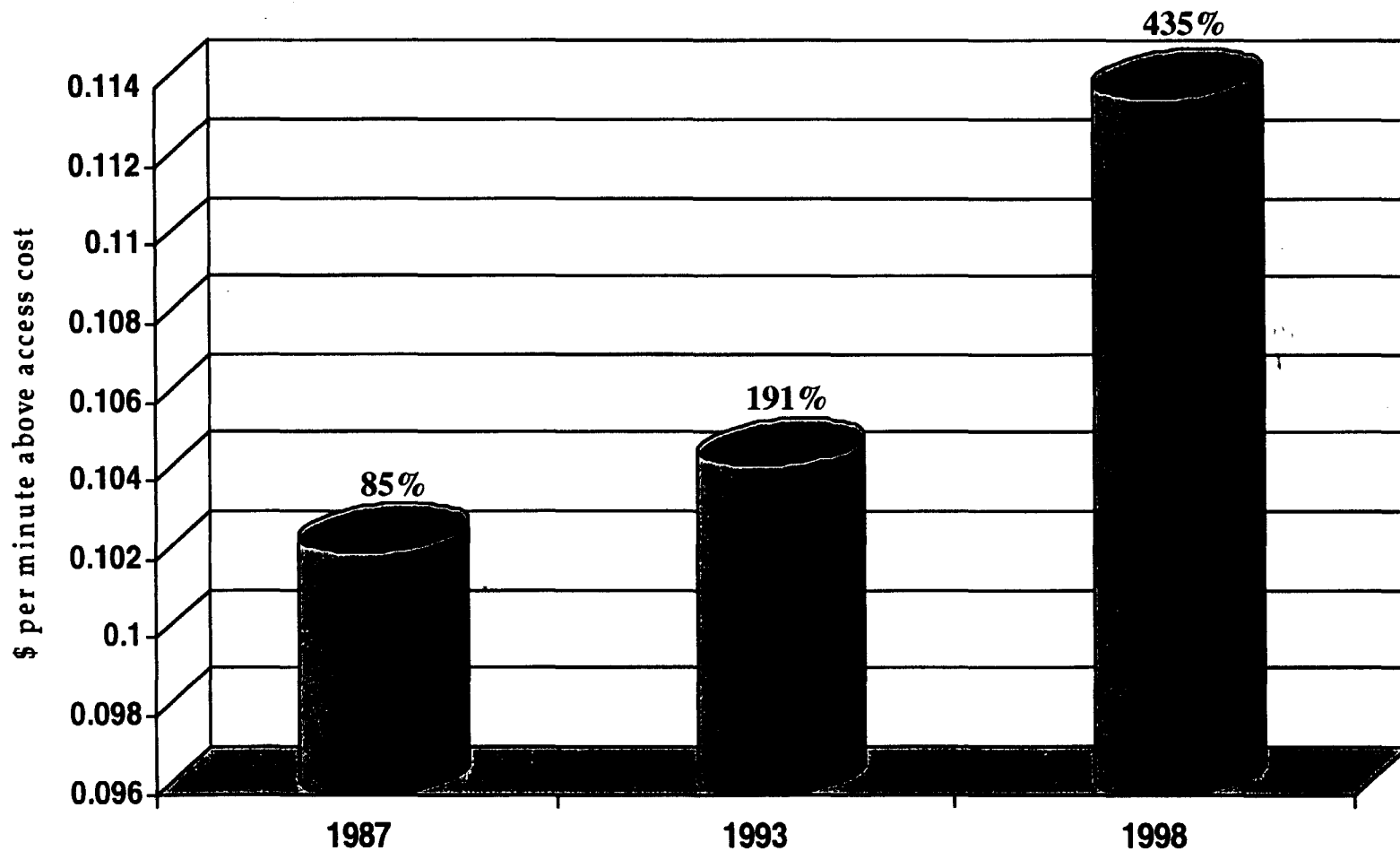
Source: AT&T's standard plan tariff

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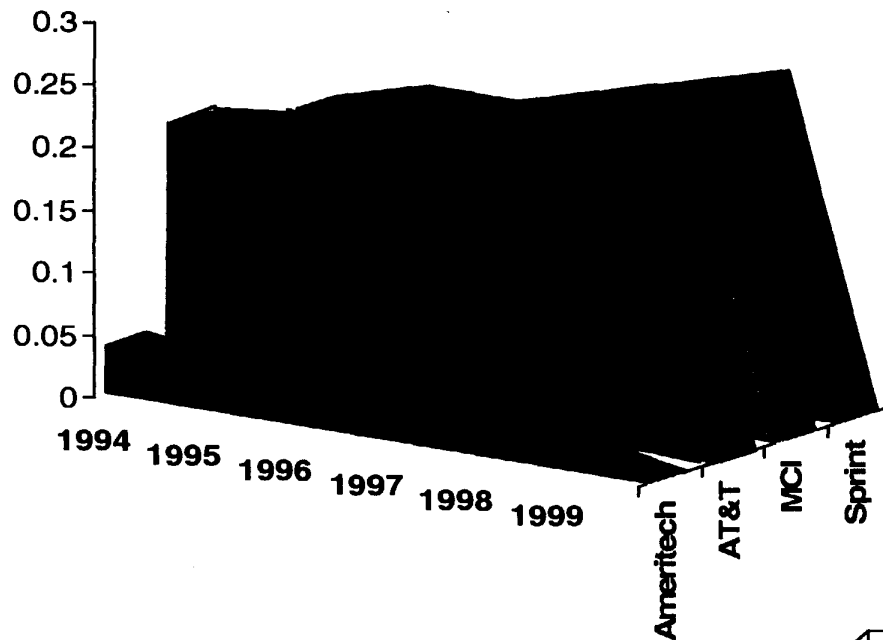
AT&T Margin Over Interstate Access Costs for Basic Rate Schedule



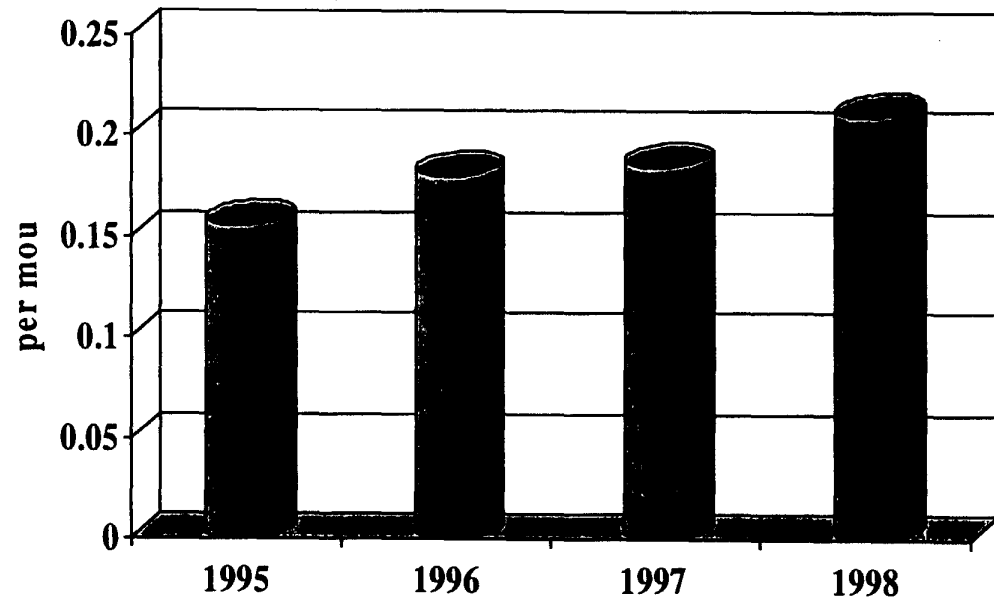
AT&T Margin Over Interstate Access Costs (Weighted for Discount Plans)



Long Distance Basic Rate Schedules v.
Ameritech Access Charges



Average Minute of Use Charges as a True Reach
Customer (1995-1998)



The Marketplace Is Evolving, Providing Competitive Alternatives For Access Services

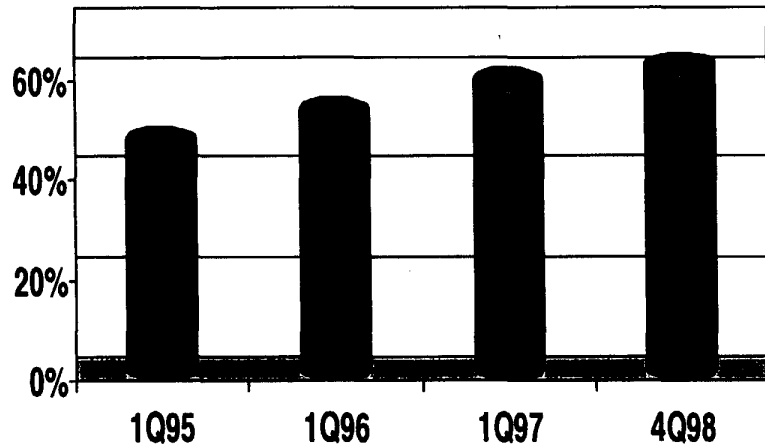
- TA'96 and the trilogy of FCC orders embraced the Market-based approach and promotes competition and CLEC infrastructure investment
 - Extensive special access and switched transport competition exists as evidenced by data contained in petitions filed by Ameritech, SBC, Bell Atlantic and US West
 - The growth rate in alternative CLEC facilities (fiber and switch deployment) continues to accelerate
- IXC, CLECs, CATV and Wireless companies are converging via mergers and joint ventures
 - AT&T's pending acquisition of Media One, along with its TCI cable network, and pending joint ventures with Time Warner and Comcast will provide AT&T access to over 60% of households in the U.S. to offer bundled telephony, cable, broadband, and internet services. AT&T, through its TCI facilities, has access to 1.6 million of the 1.7 million households in the Chicago market alone.

The Marketplace Is Evolving, Providing Competitive Alternatives For Access Services

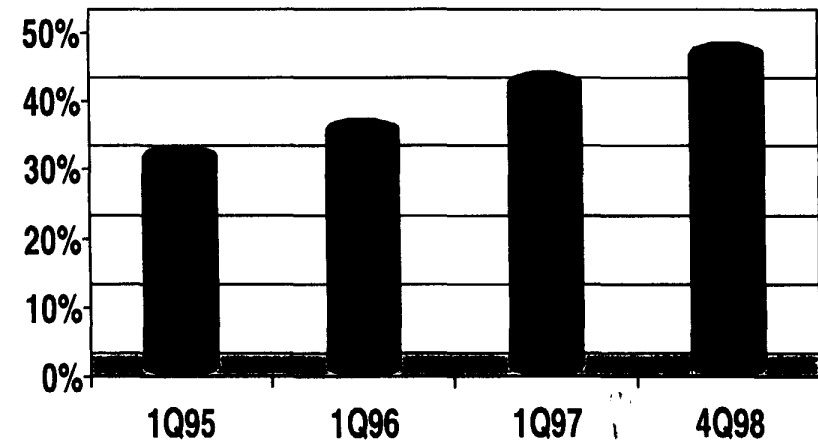
- AT&T and Sprint continue to promote their wireless services as much as their wireline services
 - Currently, there are over 66 million wireless subscribers. At current growth rates, wireless subscribers will surpass residential wireline customers in 4 to 5 years
 - AT&T's Digital One Rate has attracted over 1 million subscribers since its launch in May 1998. AT&T continues to add subscribers at a rate of about 100 thousand per month (Source: AT&T 4Q98 and 1Q99 Earnings Reports)
 - "The [Sprint] PCS group achieved the highest number of first customer acquisitions ever recorded by a U.S. wireless carrier...Sprint PCS added 763,000 new customers...a total of 3.35 mil customers." (Source: Sprint 1Q99 Earnings Report)
- Internet use, including IP Telephony, continues to grow over 100% per year
 - In just 28 months, traffic has grown nationally from 778 million MOU per month to 6.9 billion MOUs (11/96-3/99).

The amount of high cap transport provided by competitors continues to grow to the point that competitors have obtained significant market share in many key markets.

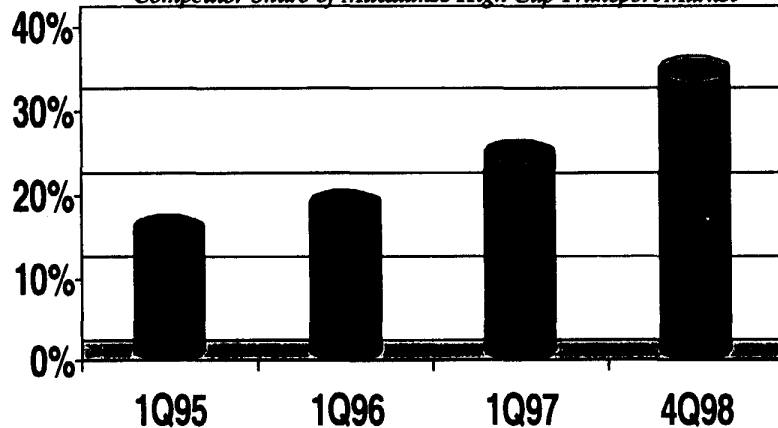
Competitor Share of Chicago High Cap Transport Market



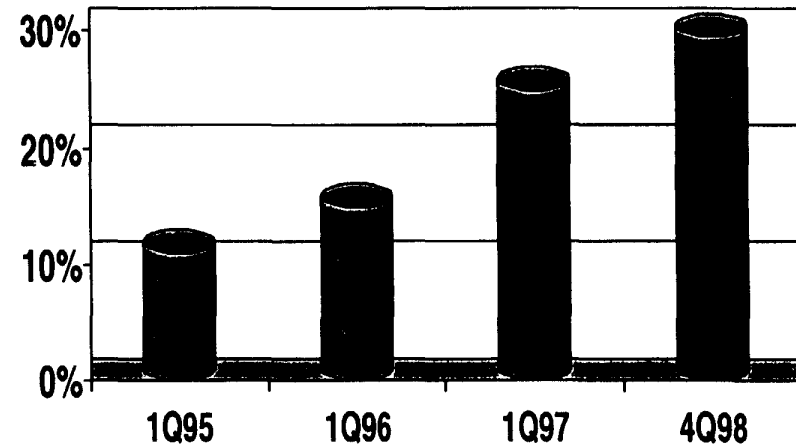
Competitor Share of Columbus High Cap Transport Market



Competitor Share of Milwaukee High Cap Transport Market



Competitor Share of Detroit High Cap Transport Market

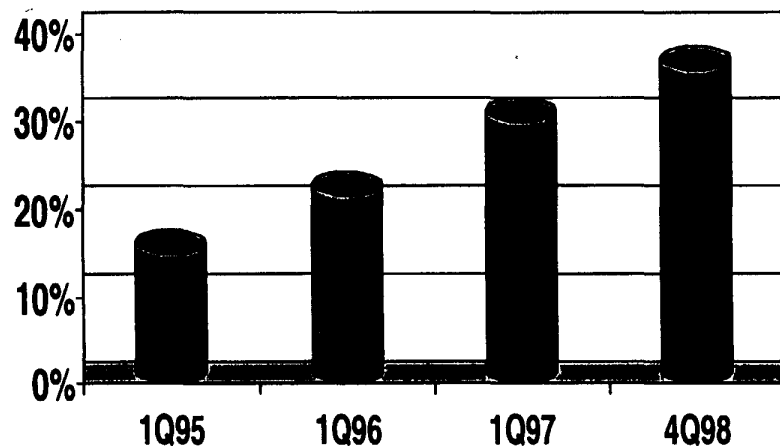


**Transport Services Are Competitive And Should
Be Removed From Regulation**

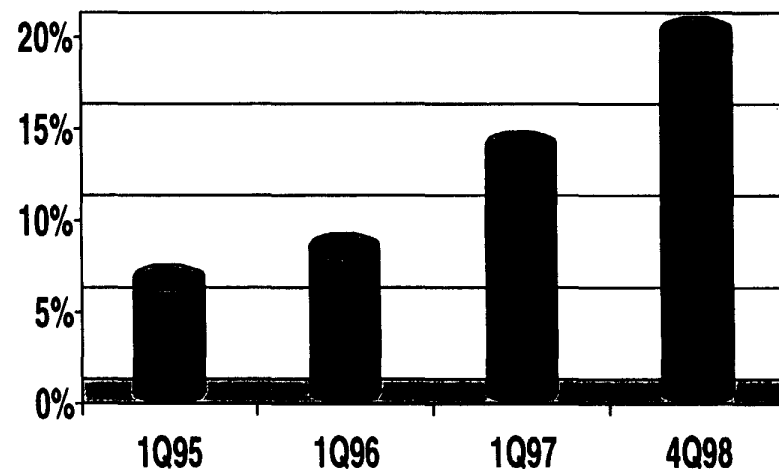
*Charts represents DS1 equivalents.

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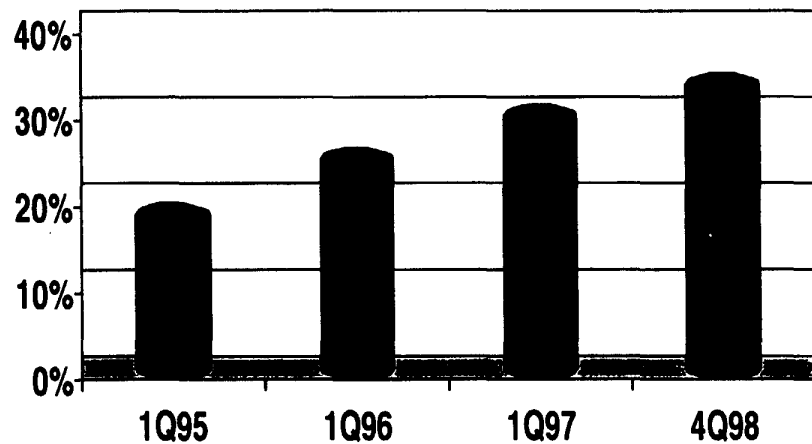
Competitor Share of Cleveland High Cap Transport Market



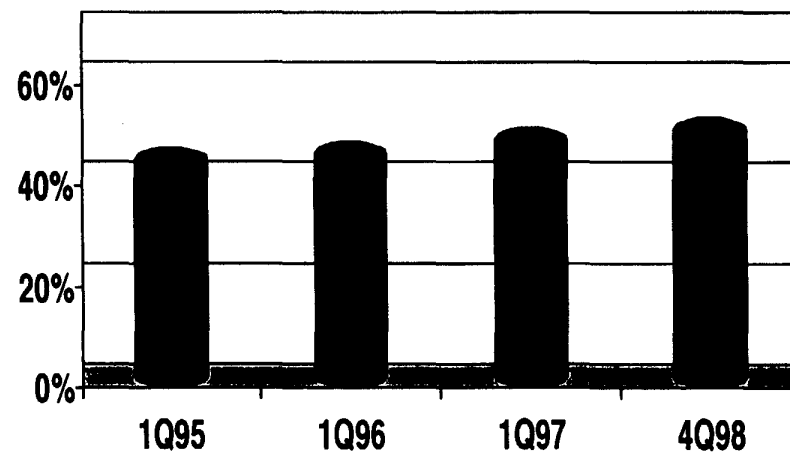
Competitor Share of Indianapolis High Cap Transport Market



Competitor Share of Chicago Suburban High Cap Transport Market



Competitor Share of Grand Rapids High Cap Transport Market

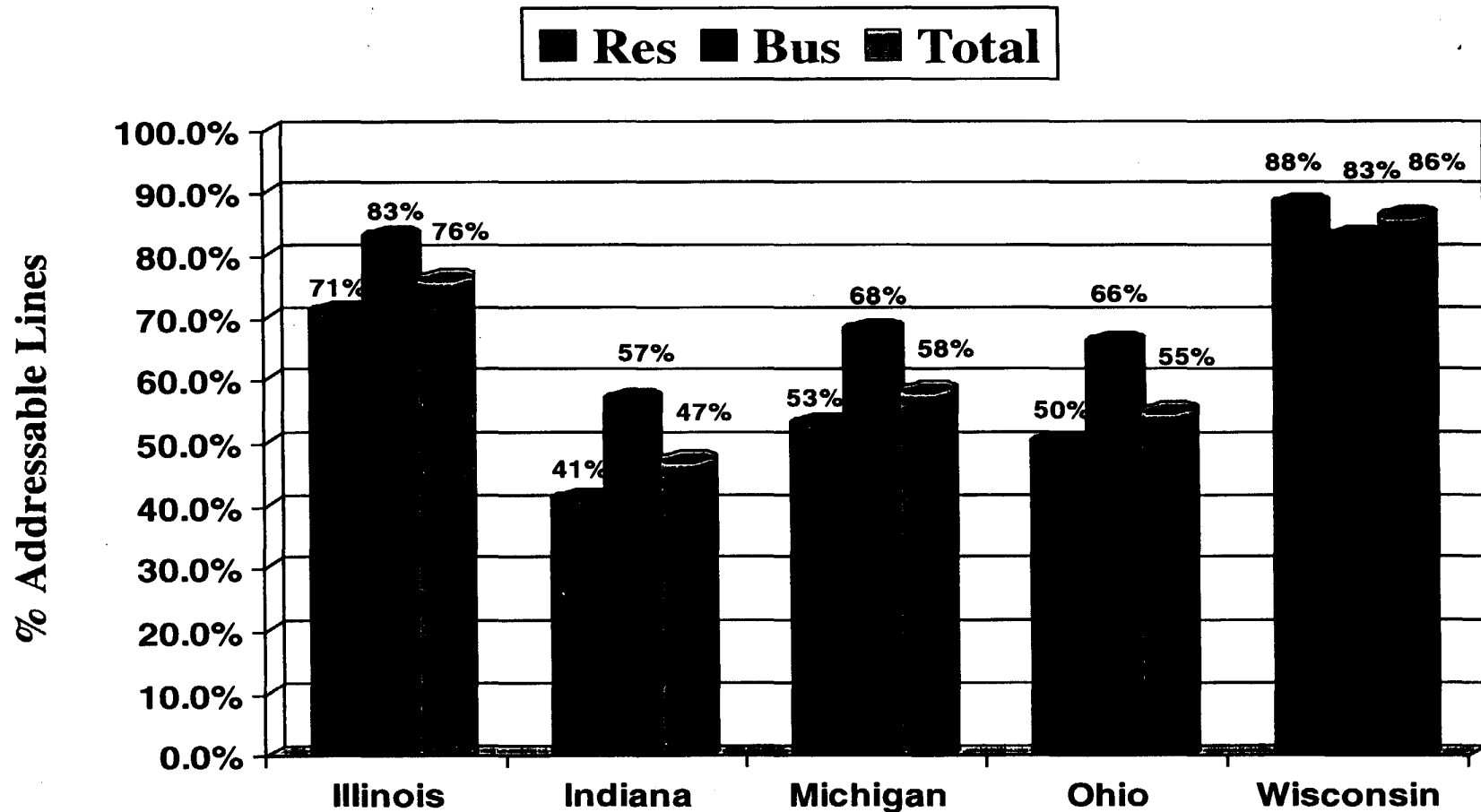


*Charts represents DS1 equivalents.

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Ameritech Enabling Competition

% Collocation Addressable Lines By State

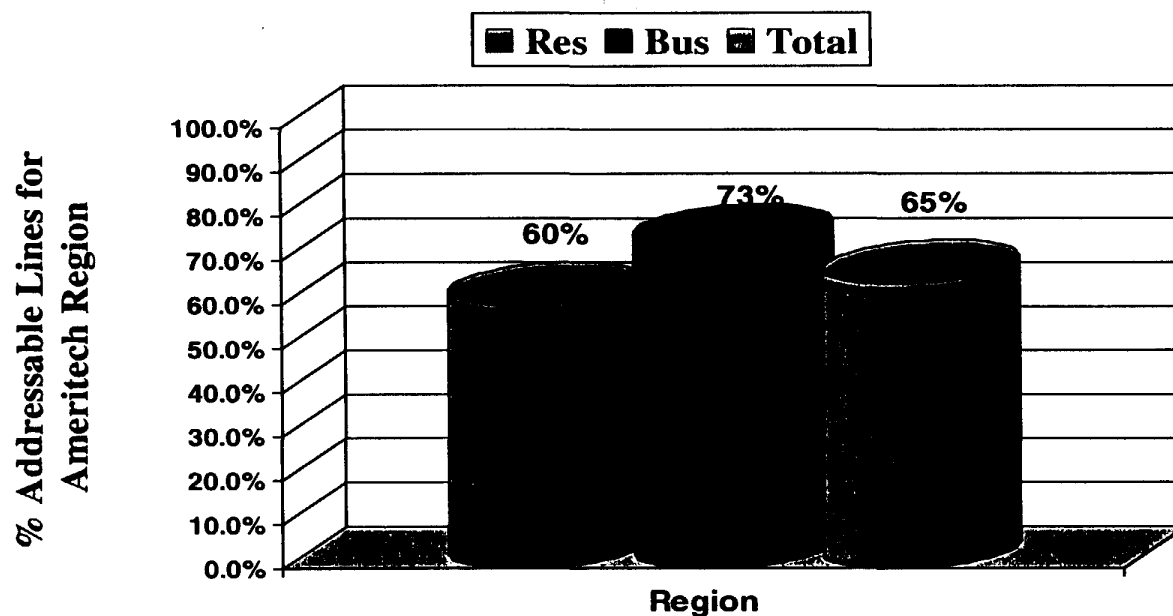


•There are 850 existing collocation sites in the Ameritech region.

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Ameritech Enabling Competition

% Collocation Addressable Lines for Ameritech Region



- The 850 existing collocation sites allow competitors to address more than 65% of all Ameritech customers (more than 13.2 million). This figure includes the ability to access more than 73% of all business customers and more than 60% of all residential customers.
- The addition of the 302 pending collocation requests will provide competitors with access to an even greater percentage of Ameritech customers.

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